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City of San Pablo

Effects of Non-commercial Uses in Commercial Districts

by

Crawford Multari & Starr

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EXECUTIVE SUMMARY

Introduction

Most municipalities are concerned with planning adequate land for commercial development because businesses provide goods and services to the community, create jobs, and generate significant revenues to the city government. This is especially important to the City of San Pablo because it has higher unemployment, lower incomes, lower property valuations, and lower per capita sales tax revenues than other nearby communities. This concern argues for carefully protecting commercial districts.

The City of San Pablo's zoning ordinance allows non-commercial uses in the City's principal commercial zones. The City is concerned, given the importance of commercial development, about possible negative impacts from allowing non-commercial uses in business districts.

There are several potential adverse impacts associated with allowing non-commercial uses in commercial districts: reducing the supply of land needed for business growth; reducing the benefits businesses enjoy by clustering together; increasing the possibility of conflicts between uses which could, in turn, limit business activities; and, losing sites that are key to the overall vitality of the business districts.

Supply and Demand for Commercial Land

San Pablo is largely surrounded by Richmond, so there is no significant opportunity to annex additional territory for commercial expansion. Thus, a long term view of commercial land supply and demand is appropriate.

There are presently about 300 acres of land zoned for commercial in San Pablo. About 11 acres of the commercially zoned land is vacant. This is enough to support about 120,000 square feet of new one story commercial development. There is also about 200,000 square feet of existing commercial and office building space which is vacant. The Mervyns department store in El Portal Shopping Center is expected to relocate in 1995, adding about another 100,000 square feet of vacant space. This situation indicates that there is a current surplus of commercial land and vacant building space.

Accurately predicting long term future demand for commercial land is difficult, although there are some available indicators. Studies performed in 1993 suggested that residents are buying large amounts of taxable goods and services outside the City. This "leakage" represents demand for commerce not presently found in San Pablo.

The Association of Bay Area Governments (ABAG) has done projections of future job growth in San Pablo. These projections can be used to estimate the amount of commercial development that might occur. This analysis suggests that existing supply of commercially zoned land may be exhausted within 10 - 15 years.

The City's past development trends also indicate that there will be a long term demand for commercial land and buildings. Furthermore, the City and the Redevelopment Agency continue to promote economic development. These efforts will help generate demand for commercial sites.

Thus, the picture is mixed. Present conditions indicate that there is enough commercially zoned land in the City; some data, however, suggest a greater long term demand.

Most commercial developers, realtors, lenders and appraisers contacted for this report noted that high vacancy rates, large numbers of marginal businesses, and low rents all suggest that there is an adequate supply of commercially zoned land, at least for the near term. San Pablo also suffers from several disadvantages relative to other communities, including lower average incomes, a lack of large sites with freeway access, and nearby competition from centers in other cities.

Effect of Non-Commercial Uses in Commercial Districts

In addition to the need for commercial land, generally, there is value in preserving sites that are especially suitable for commercial development. These include large parcels, those with freeway visibility and access, those on principal travel corridors, and the existing shopping centers.

Besides taking up land and key sites, non-commercial development may adversely affect commercial districts in a number of other ways. These include diminishing the benefits of businesses locating near to one another ("agglomerative economies") and increasing the potential for conflicts among uses. These are discussed in detail in the report.

There may be positive impacts in some cases, too, however. Examples include non-commercial activities that put chronically vacant buildings to use, and activities that draw people -- potential customers -- to an area.

The potential negative and positive effects of different classes of non-commercial uses are discussed in detail.

Findings

The following highlights the principal findings of this study:

- The preferred land use pattern in a commercial district is a clear preponderance of commercial and office uses. A generalized hierarchy of uses, from most to least preferred, would be the following:
 1. Retailing
 2. Offices and services
 3. Housing
 4. Institutional uses
 5. Chronically vacant buildings

This hierarchy is not absolute; specific uses and circumstances must be considered.

- In general, non-commercial uses in commercial districts have the potential for reducing commercial vitality. The principal reasons are disruptions to "agglomerative economies" and potential conflicts between uses.
- However, some non-commercial uses may benefit commercial districts under certain conditions. If the non-commercial use draws customers during business hours, does not overwhelm the overall commercial character of an area, and will not generate conflicts with nearby businesses, it may be positive.
- Non-commercial uses such as colleges, parks and housing are more likely to be beneficial if located near but not on principal retailing streets.
- Vacant buildings are clear negatives, especially if the vacancy is chronic, is not isolated, and the building is poorly maintained.
- If vacant buildings are the result of an over supply of commercial land, or because the building's design makes it unsuitable for a wide range of commercial uses, then conversion to non-commercial uses may be appropriate, particularly if the site is on the periphery of the main retailing district.
- San Pablo's supply of commercial land is largely fixed. In terms of gross needs, there appears to be adequate supply to meet short term demand. However, there are indications that current supply may be exhausted in 10 years or so. There is considerable imprecision in land demand projections, however.
- Perhaps more important than a lack of overall acreage, the City lacks sites that are especially suitable for significant commercial development. In particular, large commercial sites with freeway access and visibility are limited.
- Sites that have the following attributes have the greatest attraction/potential for future commercial development in San Pablo:

Sites located on San Pablo Dam Road or on San Pablo Avenue, especially between Glen and the Rumrill-Broadway-El Portal intersections, and including the San Pablo Town Center and Princeton Plaza.

Larger sites or clusters of smaller ones that can be aggregated into larger sites.

Sites that are vacant, or with only dilapidated buildings ripe for demolition, or those with sound buildings suitable for a wide range of commercial uses.

Sites that are identified in the Redevelopment Agency's implementation plan.

These findings suggest that land especially suitable for future commercial development should be reserved for such uses. The following recommendations discuss options for achieving this.

Recommendations

The loss of key sites in commercial districts to non-commercial uses could be harmful to the long term economic potential of San Pablo. If optimum economic health is characterized by a preponderance of business activity in designated business districts, then any significant disruption to the commercial nature of those districts is less than ideal. However, some sites zoned for commercial are probably not realistically suitable for desired commercial uses. In those cases, allowing non-commercial uses may make sense.

The dilemma for the City is to identify those areas and sites which are most critical to the long term vitality of the local economy, and to sort out those sites which are most likely to be suitable for commercial uses from those that have real, long term constraints limiting their commercial potential. This was done, on a preliminary basis, by the Economic Development Strategy Task Force when they identified "opportunity sites", although more in-depth analyses of individual sites is still needed.

One regulatory approach is to simply prohibit non-commercial uses throughout the principal commercial districts, or to place an overlay on those districts reserving the opportunity sites for commercial uses.

The objection to this approach is that while all the identified sites may in fact represent "opportunities" they are not equally attractive for commercial development and they are not equally important to the long term economic well being of the existing commercial districts.

This report shows that in some cases, especially where there is over supply of commercial land and where commercially zoned sites are simply unattractive from the perspective of the private market, non-commercial uses may be preferred to high vacancy rates, deteriorated properties and marginal businesses. These conditions not only present real, direct problems to the community but also tend to hurt the overall image of the City as a place to invest and do business. Furthermore, certain non-commercial uses can, in the right circumstances, actually be beneficial to the vitality of nearby businesses.

Thus, the current approach of allowing non-commercial uses in commercial districts subject to discretionary review may provide the better framework for resolving this problem. However, the existing development code does not provide guidance for deciding whether or not allowing non-commercial uses is acceptable in particular cases.

Zoning amendment. We suggest that the City continue to allow non-commercial uses in its commercial districts subject to discretionary review, but that the code be amended to

- 1) articulate the objectives of protecting commercial uses primarily for commercial uses,
- 2) set forth expanded criteria for when non-commercial uses may be acceptable,
- 3) expand the list of required application materials to provide information to the City to evaluate the project relative to these criteria in specific cases, and
- 4) require specific findings to be made in order to approve such uses in the commercial zones.

Similar discussions and supporting policies should be incorporated into the General Plan.

Non-commercial uses should generally be prohibited in the commercial districts unless findings can be made that the proposed use in the particular circumstances will not be detrimental to the long term economic vitality of the commercial district or to neighboring commercial uses. Examples of criteria that could be used to support these findings are listed below:

- The site is not in a major shopping center.
- The site is not on San Pablo Avenue or San Pablo Dam Road.
- The site is not included in the redevelopment agency's implementation program; or, it is identified in an implementation program as appropriate for non-commercial uses.
- The site has been vacant for more than two years despite good faith efforts to market the site for commercial uses.
- Other nearby sites or buildings are chronically vacant.
- The existing building is sound, but not readily convertible to a wide range of commercial uses because of its construction, layout, internal configuration, design, or placement on the site.
- The existing site is not suitable for a wide range of commercial uses because of size, configuration or layout of facilities.
- The use is proposed above first floor commercial uses or behind buildings used for commercial purposes that front on the street.
- The use, including likely ancillary and interim activities, will pose minimal conflicts to existing or likely future business uses nearby.
- The use will regularly generate customers to the area during usual business hours and complement existing or likely future businesses.

The Planning Commission may impose conditions, including periodic reviews and time limits to the term of the approval, in order to ensure that these criteria are met.

Land banking. There are certain sites which may not be ideally suited for commercial development in today's market, but which may be important to the City's long term plans. To protect these sites from inappropriate development, the City, through the Redevelopment Agency, may want to create a land banking program, whereby key sites that may be especially vulnerable to conversion because of short term and mid term economic conditions are reserved into the future.

Land banking does not necessarily mean purchase of the property in fee. In rural areas, for example, open space is sometimes protected not by outright purchase but by buying only certain development rights. In San Pablo's case, if the concern is with non-commercial development, the City/Agency could negotiate to retire those specific development options, leaving other development rights (commercial uses) intact.

INTRODUCTION

Almost every municipality designates some of its land for commercial uses. In California especially, careful planning to provide adequate land for commerce is crucial because important revenue sources are tied directly to commercial activities, notably the sales tax, business license tax and transient occupancy tax. In addition, commercial properties are often valued higher per square foot than residences and other non-commercial development. Thus, commercial uses frequently generate more property tax per acre than non-commercial parcels.

The value of commerce in a city, however, goes beyond the direct fiscal impacts to the municipal government. Clearly, providing locations for businesses that supply the goods and services desired by a community's residents is important.

Commercial activities also provide jobs. Local employment has the primary benefit of providing income to the workers, of course. But there are secondary economic benefits as well. Money earned by an employee is in turn spent on goods and services, at least some of which will be in the local community. Those expenditures help support other businesses, creating other jobs and incomes. This so-called "multiplier" effect generates positive "ripples" throughout a local economy.

Another often overlooked benefit of a healthy commercial sector is that businesses are frequently large contributors to civic affairs, not only in terms of money but also labor and talent. Cities in which larger corporations and/or successful businesses are located find that these organizations are interested in, and materially contribute toward, the social and economic health of those communities.

In sum, there are substantial reasons for encouraging commercial development, for fostering the economic health of business districts, and for reserving adequate land to meet long term commercial demand.

Issue: possible effects of non-commercial uses in the City's principal commercial corridors.

Given the importance of commercial areas to a community, cities are often concerned about providing adequate, appropriate sites for commercial development, and about avoiding conditions that could lead to the loss of vitality in their business districts. These concerns might argue for the careful husbanding of land designated for commerce, reserving that land strictly for commercial uses. Yet, in many cities, non-commercial developments, including residential and institutional uses, may be permitted (either by right or subject to a conditional use permit) in commercial districts. This practice raises two major questions for those communities: Will such uses take up valuable land or sites needed for commercial development? And, does the presence of these kinds of uses affect the vitality of the commercial districts?

San Pablo's zoning ordinance currently allows some non-commercial uses in the City's commercial districts subject to approval of a use permit. As a result, sites in those districts have been utilized for non-commercial developments. The City is interested in learning whether continuing to allow non-commercial uses in these zones could negatively impact its principal commercial corridors. This report is intended to help address that issue.

Types of potential, adverse impacts.

There are four general categories of potential adverse effects that could result from locating non-commercial uses in commercial districts.

Reducing needed supply of land. If there is demand for commercial land, and the supply is limited, then the loss of commercially zoned land to non-commercial uses can be detrimental, by effectively restricting commercial development. An important consideration in the analysis of supply and demand is the city's ability to zone more land for commercial purposes, or to annex more land suitable for commercial uses as it is needed. If opportunities for adding vacant land to the commercial land inventory are limited, then this issue, clearly, is a greater concern.

Reducing "agglomerative economies". Most commercial districts derive their vitality from what are termed "agglomerative economies"; that is, the businesses benefit from being close to each other. A common example is the benefit to businesses from simply having recognizable commercial centers, districts or corridors. Shoppers are attracted to these areas because they learn that they are places where a variety of desired goods and services are readily available. Clustering many businesses together often intensifies this effect. People are attracted to such areas because they can obtain more than one kind of good or service in a single trip, increasing efficiency. Also, if competitors are located near to one another, shoppers learn that they can "comparison" shop quickly and efficiently and are, thereby, attracted to those locations. An increasingly common example of this effect is the "auto mall", where buyers can compare a wide variety of similar products. Auto dealers have learned that their businesses actually are enhanced by the close proximity of similar outlets. Other kinds of agglomerative economies are discussed later in this report.

If certain types of non-commercial uses, or too many of them, locate in commercial areas, the agglomerative economies may be reduced or lost.

Conflicts between uses. Non-commercial uses can restrict commercial activities when conflicts between the different kinds of activities arise. For example, locating businesses near residences can result in complaints about light, noise, traffic, crime, or parking. These complaints may, in turn, generate restrictions on commercial uses (for example, limiting hours of operation). This may affect existing commercial uses, may result in unusually onerous conditions on new businesses, and may reduce the attractiveness of vacant land or buildings for new commercial uses. Sometimes when this happens, the intrusion of non-commercial uses into a commercial area can be the harbinger of the eventual conversion of that area to all non-commercial activities.

Loss of key sites. The use of commercial sites for non-commercial uses can retard economic development if those sites are especially suitable for desirable commercial uses or act as cornerstones to the maintenance or expansion of commercial districts. For example, the loss of large commercially zoned sites to non-business uses may significantly limit the potential in the community for those kinds of commercial developments that need larger sites (for example,

shopping centers, warehouse type retailers, theaters, among many others). Furthermore, if a site is considered important to the viability of economic development strategies, or if it is located in a critical part of a commercial district, its conversion to non-commercial uses could jeopardize the strategy or could undermine the vitality of the district.

This report will discuss each of these effects in greater detail, and will assess their importance to San Pablo. In addition, possible beneficial effects of non-commercial uses in or near to business districts will be discussed.

San Pablo's commercial zones.

Most of the City's existing commercial areas are located along the principal roads: San Pablo Avenue, San Pablo Dam Road, Rumrill Street, 23rd Street and El Portal. (See Figure 1.) Except for the three shopping centers in San Pablo, the commercial districts generally extend only one lot deep from these roads, making much of the commercial zones relatively narrow corridors. The three principal shopping centers in San Pablo -- El Portal Shopping Center, San Pablo Town Center and Princeton Plaza -- all front on one or more of these corridors. With the exception of the west side of Lower Rumrill, these commercial districts are adjacent to residentially zoned areas.

The City has three primary commercial zoning districts: C1 (Light Commercial), C2 (Heavy Commercial) and C3 (Central Business District). The C1 zone is the most common and applies to most of the San Pablo Avenue and 23rd Street corridors. The C1 zone allows a wide variety of retail stores, service establishments and offices. Significant non-commercial uses -- including residential uses at a maximum density of over 40 units per acre, mobile home parks, and a wide range of public, quasi-public and institutional uses -- are also permitted subject to securing a conditional use permit.

The C2 zone allows many of same uses as the C1 district as well as some of the "heavier" commercial activities such as wholesaling, used car sales, and plumbing shops. It also allows residential uses, with a maximum density of over 40 units per acre and mobile home parks, subject to a conditional use permit, but does not permit as wide a range of public, quasi-public and institutional uses as the C1 district. The C2 zone also lists certain light manufacturing activities as conditionally permitted. This zone is largely limited to lower Rumrill and portions of San Pablo Dam Road east of I-80.

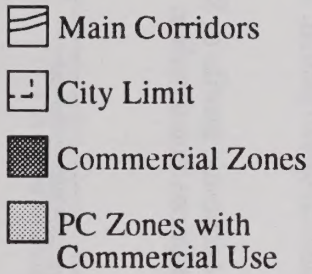
C3 is applied only to the El Portal shopping center; it also allows a wide range of retailing, services and offices similar to the C1 zone. However, it does not allow residences as a stand-alone use (housing must be combined with a commercial use) nor does it explicitly allow as many public, quasi-public and institutional uses.

In addition to the categories described above, the PC or Planned Community district has also been used to allow commercial development. Uses allowed on different sites are specified in the individual PC approvals.

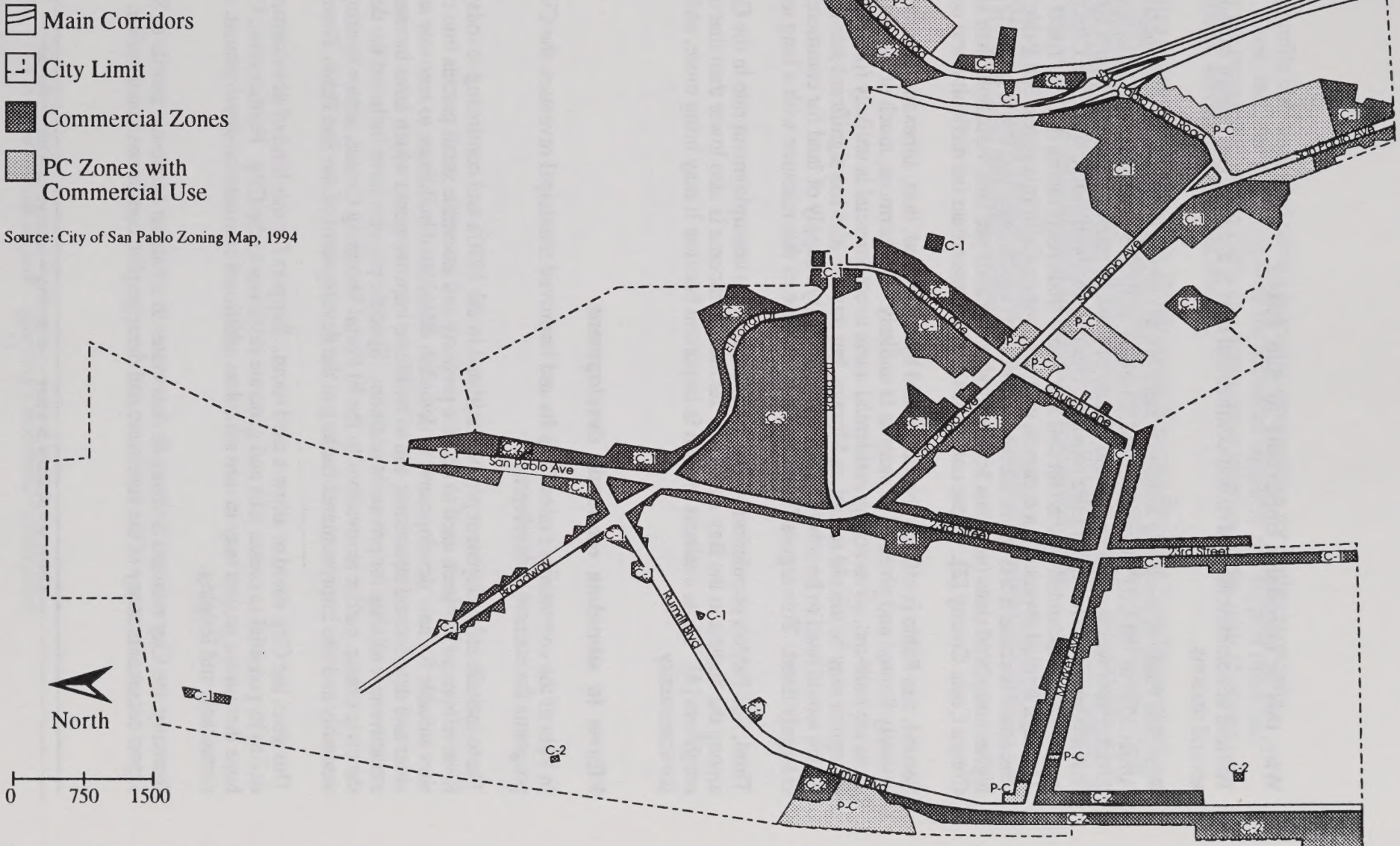
The City has a very limited amount of industrially zoned land (the M district); this zone also allows a wide variety of commercial uses. The few M-zoned sites are at the extreme west side of the City and do not have direct access to the above-listed corridors with the exception of a few parcels on lower Rumrill.

San Pablo Commercial Land Use Study

Figure 1: Commercial Zones



Source: City of San Pablo Zoning Map, 1994



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Why this is especially important to San Pablo.

The loss of commercial land to non-commercial uses is a significant concern to San Pablo for several reasons.

First, San Pablo is unusually reliant on sales tax to support its General Fund operating budget. About 35% of the City's General Fund revenues in 1993-94 derived from sales tax [1]. Thus, development which could reduce the vitality of existing retailing areas, or which could inhibit the development or success of future retailing, could have significant impacts on City finances. This concern is compounded by the fact that San Pablo finds itself facing difficult fiscal conditions. Although limited revenue is a common problem among California cities, San Pablo is especially concerned because it has lower incomes, lower per capita sales tax, lower property valuation, and higher household sizes (and thus higher service demands per land valuation) than any other city in Contra Costa County [2]. These conditions tend to exacerbate the difficult fiscal conditions.

Second, San Pablo is effectively surrounded by Richmond; thus, annexation opportunities are severely limited and physical expansion is unlikely. Furthermore, much of San Pablo's residential areas are built-out, so re-zoning residential tracts to commercial is unlikely (one noteworthy exception may be the old school on Moraga, but this site also has significant seismic problems which would need to be solved). Therefore, the City's supply of land for commercial development is largely fixed. This argues for planning for the use of this resource with a long term perspective.

Third, San Pablo's population suffers from the highest unemployment rate in the County (and among the highest in the Bay Area) [3]. Its median income is also lower than that of its regional neighbors [4]. Thus, business growth is important because it may bring more, and better, jobs to the community.

Efforts to stimulate economic development

In light of the community's need for jobs and improved municipal revenues, the City has pursued programs for economic development.

These include redevelopment projects initiated in the 1970's and continuing to today. Redevelopment has been used to acquire property and assemble small parcels into consolidated sites suitable for new development; to demolish dilapidated buildings; to renovate and rehabilitate older and deteriorated structures; and to build site improvements which have increased the attractiveness of sites for private investment. Specific projects have included the development of the civic center, earlier renovations to the El Portal Shopping Center, senior housing, and the land assembly and site improvements leading to the development of the San Pablo Town Center.

This year, the City voted to allow a card room. Support for this kind of development was largely tied to its potential to create jobs and generate revenues to the City. Furthermore, City officials hope that such a project may in turn stimulate additional commercial development, such as restaurants and lodging.

Recently, the City retained Sedway & Associates to create an economic profile of San Pablo. This report documents many of the economic and demographic conditions noted earlier.

The economic profile also suggested certain potential opportunities for further economic development. These included providing sites for industrial suppliers and support firms and capitalizing on the recognition of San Pablo as a competitive location for the sales of garden and construction goods, serving the regional market.

The City has also appointed an Economic Development Strategic Planning Task Force which has submitted a series of recommendations for improving San Pablo's economic conditions. Their "Economic Development Strategy Plan: An Economic Vision for the Future" was recently adopted by the City Council/Redevelopment Agency. The task force utilized much of the data found in the Economic Profile. Their recommendations are discussed later in this report.

Any evaluation of the potential impacts of non-commercial uses in commercial uses should recognize and consider these economic development efforts.

SUPPLY AND DEMAND FOR COMMERCIAL LAND

An important consideration in assessing the possible effects of non-commercial uses on commercial districts is the supply of commercial land versus the current and likely future demand. If large amounts of commercial land are available, or can be easily increased by annexation or re-zoning appropriately located vacant or underutilized property, then at least some concerns about the intrusion of non-commercial uses is reduced. On the other hand, if land properly zoned and otherwise suitable for commercial uses is scarce, then the use of that resource for non-commercial activities may be a more serious problem.

Supply of Commercial Land in San Pablo

Generally speaking, San Pablo's supply of land available for commercial uses is fixed for the foreseeable future. The reasons for this conclusion are discussed briefly below.

Present and future supply. San Pablo is largely built out. That is, the City does not have a large reservoir or reserve of vacant, developable land. Most vacant parcels are "infill" -- located in already developed areas, surrounded by properties with buildings on them.

In addition, as noted earlier, San Pablo is surrounded by the City of Richmond (except for small unincorporated areas east of the freeway which are already largely developed with residential uses). Thus, annexation to provide a significant amount of additional land for commercial development is not a practical option.

In the abstract, the conversion of residential areas to commercial districts can be another option for increasing the supply of commercial land. However, for the most part, this is not practical in San Pablo. Like the commercial districts, the residential neighborhoods are largely built-out. Thus, conversion of those areas to commercial will require the acquisition of homes and relocation of displaced residents, making such an undertaking expensive. Furthermore, there are significant political and social impacts associated with disruptions to existing neighborhoods.

Presently, about 300 acres of the City is commercially zoned. Most of this area is already developed. Figure 2 shows existing vacant commercial land in San Pablo (this includes sites with vacant buildings where the structures are considered so old or so deteriorated that they would not be practically available for modern commercial development). This represents about 11 acres and would support about 120,000 square feet of one-story commercial development. (This is based on a pattern of about 25% coverage on commercial properties -- the remainder goes to parking, loading, landscaping, etc. -- which is often used as a rule of thumb for these kinds of estimates.)

In addition, there are vacant commercial and office buildings in San Pablo. These total approximately another 200,000 square feet (based on a review of aerial photos and a windshield survey in early July, 1994). At any given time, there will be some inventory of vacant commercial space in a community which reflects usual turn-over as some operations go out of business or

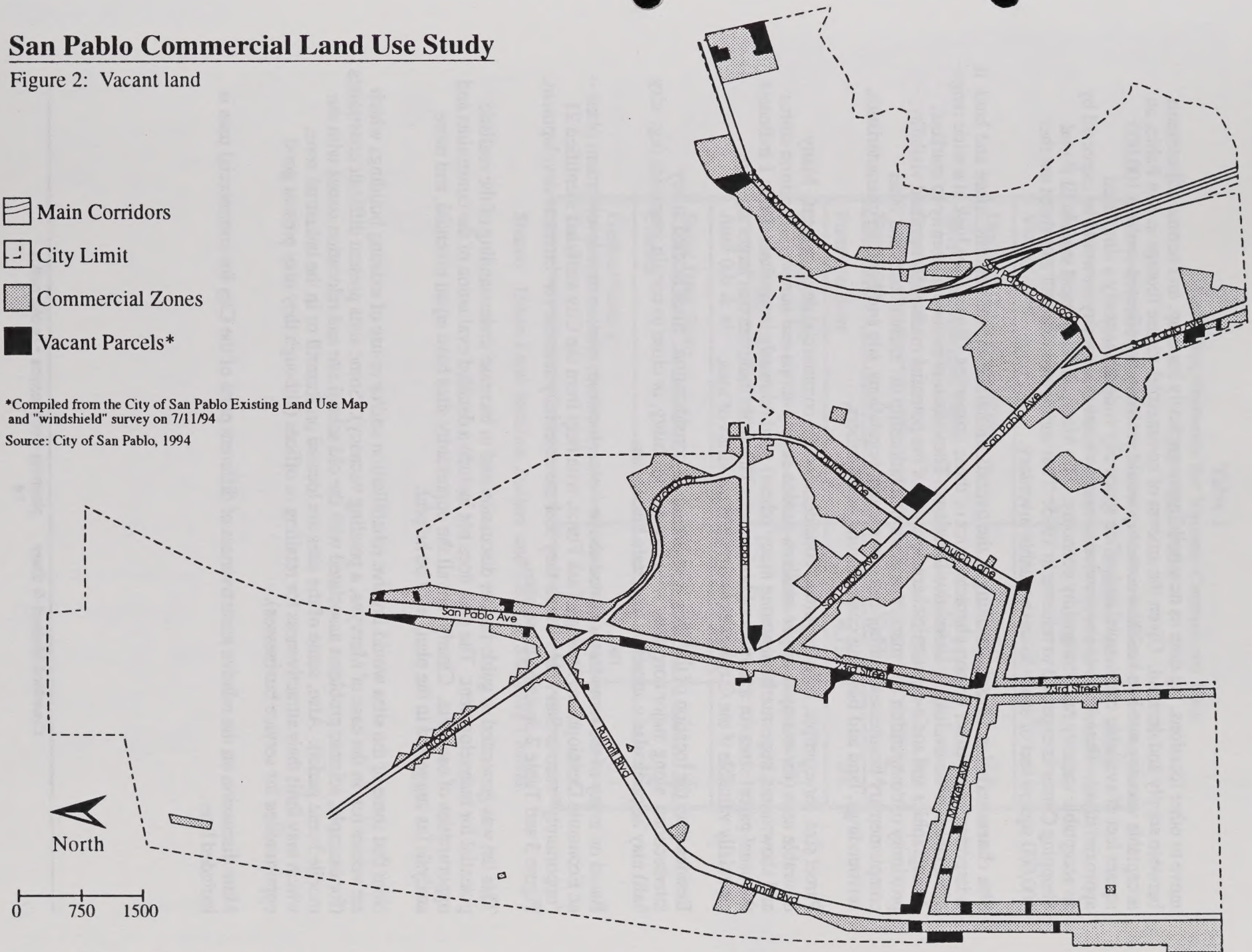
San Pablo Commercial Land Use Study

Figure 2: Vacant land

-  Main Corridors
-  City Limit
-  Commercial Zones
-  Vacant Parcels*

*Compiled from the City of San Pablo Existing Land Use Map and "windshield" survey on 7/11/94

Source: City of San Pablo, 1994



move to other locations, lag time as new buildings completely lease up, and normal adjustments between supply and demand. Given the amount of commercial square footage in San Pablo, an acceptable vacancy rate in a healthier economy would probably be reflected in about 100,000 square feet of available commercial and office space city wide (this is only a simplified approximation). Thus, there is about twice as much vacant space today as would be expected by an acceptable vacancy rate in a healthy economy. The Mervyns department store in El Portal Shopping Center is expected to relocate in 1995. That anticipated loss will add about another 100,000 square feet of space to the available inventory.

Site characteristics. Besides looking at the overall amount of vacant building space and land, it is important to consider certain characteristics of those properties. Businesses look at a wide range of variables when evaluating alternative locations. These factors include proximity to markets, demographics and socio-economic characteristics of the potential markets, access and visibility, proximity of competition and market saturation, relationship to "anchor" uses and other complementary businesses, zoning and government regulations, site and building characteristics, surroundings, land and building costs, among many others.

Parcel size, for example, is an important consideration for commercial development. Many desirable uses (for example, larger retailers, garden supply shops and nurseries, furniture stores and showrooms, supermarkets, among many others) need relatively large sites. Table 1 indicates the usual parcel sizes for a number of businesses. This table indicates that larger sites are especially valuable if the City hopes to attract these kinds of uses.

Besides size, the location of the sites is an important consideration. Sites located at key intersections, along major corridors, with freeway visibility, or close to certain amenities (eg: city hall) may be particularly attractive to certain businesses.

Based on many of the same factors listed above -- size, location, relation to redevelopment plans -- an Economic Development Strategy Task Force, with help from the City staff, has identified 21 "opportunity" sites in San Pablo which they feel are especially suitable for business development. Figure 3 and Table 2 describe these sites.

This list was generated to guide further discussion and to increase understanding of the realistic potential for redevelopment. The plan does not include a detailed evaluation of the constraints and opportunities of each site. Clearly, not all the opportunity sites have equal potential, and more analysis (as suggested in the plan) may be helpful.

Note that some of the sites would involve rehabilitation and/or re-use of existing buildings which are vacant (or, in the case of Mervyns, a pending vacancy). Some sites present difficult constraints (for example, seismic problems associated with the old school site and relocation issues with the mobile home parks). Also, some of the sites are located on Rumrill or in the industrial zone, which may limit their attractiveness for retailing or offices (although they may present good opportunities for service businesses).

More discussion on the relative attractiveness of different parts of the City for commercial uses is included later.

Table 1
Land Requirements for Various Commercial Uses
City of San Pablo

Store Type	Square Feet	Acres
Junior Department Store	35,390	3.2
Variety Store	11,350	1
Discount Department Store	59,537	5.5
Showroom/Catalogue Store	27,531	2.5
Super Market	23,828	2.2
Superstore	37,430	3.4
Furniture Store	4,738	0.4
Hardware Store	7,190	0.7
Home Improvements	34,450	3.2
Auto (t,b & a)	5,700	0.5
Super Drug Store	14,600	1.3
Cinema	14,984	1.4
Garden/Nursury	1,280	0.1
Total	278,008	25.4

Source: Urban Land Institute, *Dollars and Cents of Shopping Centers*.

San Pablo Commercial Land Use Study

Figure 3: Opportunity Sites

- Main Corridors
- City Limit
- Commercial Zones
- Opportunity Sites

Source: City of San Pablo, 1994

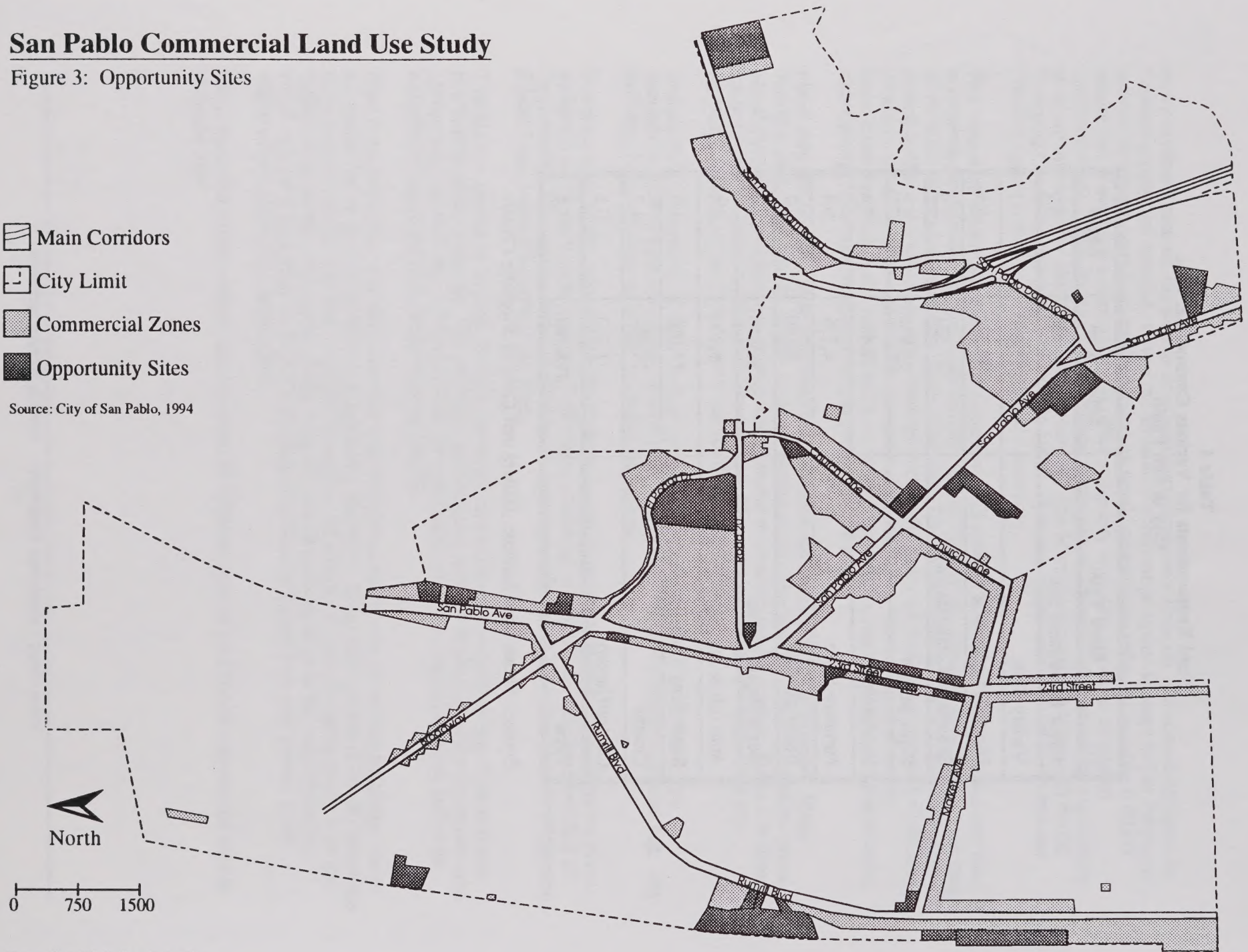


Table 2
Opportunity Sites for Business Development
City of San Pablo

<u>Location</u>	<u>Description/Status</u>	<u>Site Size/Acres</u>
3556 San Pablo Dam Road	Vacant multi-tenant building formerly Fry Supermarket Site	4.80
13401 San Pablo Avenue	El Ranch Mobile Home Park	4.17
13689 San Pablo Avenue	Formerly Davis Lumber yard	2.53
13740 San Pablo Avenue	Parcel partially developed by a retail and office use	1.14
13760 San Pablo Avenue	Parcel partially developed	0.88
Church Lane & San Pablo Creek	Vacant triangular parcel owned by adjacent cemetery	1.00
2300 Road 20	Vacant triangular parcel abutting Kens Nursery	0.58
2025 23rd Street	Vacant triangular parcel abutting Wildcat Creek. Former gas station	0.40
23rd St. North of Market Ave.	Various underdeveloped and blighted properties w/ marginal uses on parcels typically 1000 ft. deep	Indeterminate
East side of Rumrill at Stanford	Vacant, formerly Texaco station	0.31
Rear of 1665 Rumrill Blvd	Portion of AT&SF right of way	4.00
1701 Rumrill Blvd	Vacant, formerly Dolan's Lumber	1.63
East side Rumrill at Market	Vacant undeveloped property	0.50
Rear of 2025 Rumrill Blvd	Two undeveloped parcels abutting AT&SF Railroad	2.98 3.72
14345 San Pablo Ave	Modern Trailer Lodge for sale	0.60
14544 San Pablo Ave	Vacant, formerly AAA building 8,000 sq. ft.	1.29
2600 Moraga St	Vacant, formerly El Portal School, development limited by branches of the Hayward Fault	11.6
El Portal Shopping Center	97875 sq. ft. building occupied by Mervyn's until 1994/1995	8.36
14800 San Pablo Ave	Currently occupied, 55 unit Cove Motel	1.00
14829 - 14889 San Pablo Ave	Vacant property fronting San Pablo Avenue allowing for limited development	0.60
2812 Giant Road	Partially contaminated site, formerly East Bay Wash Rack	3.00

Source: City of San Pablo Economic Development Strategy Plan: An Economic Vision for the Future, November 1993

Conversion of marginal businesses. Another potential reserve of commercial land are sites that are underutilized, that is, they are occupied by marginal uses that typically do not generate significant incomes. If demand for commercial land increases, and supply is indeed limited, then the City could experience the eventual replacement of existing marginal uses with higher income businesses. This type of conversion by the private market is often expensive and difficult. Sites that need rehabilitation and that are in areas where other marginal businesses have gravitated are at a competitive disadvantage relative to other potential sites that are not so encumbered. Efforts by redevelopment agencies are often aimed at stimulating and then sustaining this re-use/reinvestment process. The realistic potential of converting such sites in San Pablo to ones attractive to new businesses will be largely limited to those sites targeted by the Redevelopment Agency for intervention.

Multi-story commercial development. Another response to limited land supply is to intensify the use of viable commercial properties by developing multi-story buildings. Most of San Pablo's commercial areas are developed with single story businesses. A significant amount of multi-story retailing is unlikely in San Pablo under existing and expected future conditions. Multi-story retailing is expensive, and is rare in most suburban locations; not only does the cost of construction increase with multiple stories (including providing elevators) but the provision of parking becomes very costly.

As the intensity of development on the site increases, the parking requirement increases, too. In many cases, parking must be placed underground or in multi-level structures, which significantly increases the cost of providing necessary spaces. Land values can not typically support these increased costs. In addition, most of the commercial parcels in San Pablo are generally too small to make these kinds of parking solutions feasible. Thus, for the foreseeable future, the prevalent pattern of one-story businesses will likely remain.

In pedestrian oriented commercial areas, some cities have had success with developing centrally located, multi-level parking structures. When parking is conveniently provided through structures, the need for on-site parking is reduced. Thus, businesses can cover more of their site and/or build multiple story buildings (even in such cases, however, retailing above the first floor is relatively rare).

San Pablo's commercial districts, however, are not designed like traditional downtowns or other pedestrian oriented areas. Rather, they are extended on long, relatively narrow corridors facing the principal automobile routes. Studies indicate that parking must be quite near to the stores for it to be effective. Thus, it would be difficult to pick a location where a parking structure would serve more than a few businesses. Considering the amount of land necessary for such structures and their high cost, the approach of developing centralized off site parking structures is not a practical solution.

Demand for Commercial Land

While measuring the supply of land is relatively straightforward, projecting the demand for that resource is more difficult and more speculative. Below, a variety of data sources are summarized, which may give a useful indication of future demand.

Leakage studies. In 1993, the City retained Sedway and Associates (S&A) to develop an economic profile of San Pablo [5]. Among the variables that S&A analyzed was retail sales potential. When residents of a community buy goods and services elsewhere the lost monies are referred to as "leakage". While some leakage is inevitable in any city, capturing as much of this as possible enhances local business and local government revenue.

S&A estimated that significant leakage was occurring from San Pablo in certain sectors, notably in autos and auto supplies, apparel, and home furnishings. These three types of products alone account for over \$17 million dollars in lost sales. This leakage is equal to about 15% of San Pablo's total taxable sales. Leakage of this magnitude suggests that there is demand for certain types of goods not currently being provided, and that this represents potential demand for commercial property, recognizing at the same time the locational disadvantages of San Pablo both within the region and in terms of available sites for some of these uses. Similar findings related to leakage were made in an earlier report, "Market View of Old Town San Pablo", also by S&A in 1987 [6]. However, there is a recognition that for at least some of these products (car sales, for example) the potential for San Pablo to develop outlets that can compete in the region is small.

In their more recent analysis of the City's economic future, S&A identified several strengths and weaknesses. One of the problems listed by S&A is insufficient vacant land for development, finding that "San Pablo's landlocked location functions as a severe constraint to economic development" and that among other limitations there is a "lack of developable land for new business and employment development..." [7]

ABAG projections. The Association of Bay Area Governments (ABAG) does regular projections of demographic and economic variables. ABAG's "Projections - 94" includes estimates of job growth in San Pablo to 2010 [8]. The relationship between job growth and the demand for commercial land is complex, and the limitations on converting employment projections into land demand estimates should be recognized. Nonetheless, employment is an important indicator of how the local economy will grow and, therefore, provides at least a general benchmark for looking at how much land may be needed to accommodate future economic development.

ABAG sees jobs in San Pablo declining until about 1995, and then increasing to 2010. The present declining trend is borne out by statistics during the past few years; the continued decline for the next year or so reflects, in part, the pending closure of the Mervyns store in the El Portal Shopping Center (anticipated in 1995) as well as the lingering recession. ABAG then sees a slow, but relatively steady increase in jobs through the remainder of the decade and beyond. This is due, in part, to increasing population, increasing incomes, and improvement in the overall economy. (ABAG's projection does not, apparently, include employment that is expected to result from the casino/card room approved by local voters this year.)

Based on ABAG's projections, San Pablo would experience an increase in about 450 retail and service jobs from 1995 to 2000, after employment in these sectors reach their nadir next year. This is an increase of about 7% during that five year period. Somewhat slower growth is projected from 2000 to 2010 (about 6.7% growth over that 10 year period).

The overall job picture is slightly better in ABAG's estimates. Employment in all sectors should increase by about 600 jobs between 1995 and 2000, an increase of about 8% during that time frame.

If job growth occurs along ABAG's projection, then the demand for commercial land is likely to increase. As noted above, the relationship, of course, is not a simple one. While keeping in mind the limitations of this approach, Table 3 suggests the total amount of land that might be needed to accommodate the projected number of jobs.

This analysis suggests that if all excess capacity above a healthy vacancy rate were filled first, then there is a demand for about four acres of commercial land by 2000. Another 26 acres would be needed by 2010. This suggests that the currently available vacant land could accommodate all of the year 2000 demand, but only about 35 percent of the 2010 demand.

Keep in mind, that this methodology is based on a number of simplifications and assumptions and can not be viewed as precise--it is intended simply to provide a generalized indication of possible demand relative to available supply. Some refinements which would be necessary to make the estimate more realistic are difficult to quantify. For example, all existing vacant space may not be suitable for the kinds of businesses that may find the City attractive in the future, and thus the assumption that all excess space will be used before new projects are built would be unrealistic. On the other hand, a significant amount of the projected employment may simply reflect increases in existing businesses which do not require physical plan changes or which can be accommodated by additions or remodels in existing buildings.

However, even if only half of the projected employment is to be located in new development, then this approach suggests that the current supply of vacant land would be exhausted within about 10 years.

Development trends. Table 4 lists the commercial development that has occurred during the past 10 years in San Pablo (this does not include remodels or tenant improvements that did not increase the size of existing buildings) [9]. It shows significant fluctuations from year to year, reflecting changing economic conditions as well as the construction of a few major projects. If this development trend is projected for the next 10 years, then another 600,000 square feet of new construction could be expected. This would require about 55 acres of land (assuming all one story development), which would, at least superficially, suggest that San Pablo has a significant under supply of available commercial land.

However, that picture is also too simplified. First of all, it may be difficult for San Pablo to sustain that level of development over the next 10 years. The current recession has not significantly abated; until the regional economy substantially improves, it is unlikely that the development pace of the 1980's will be replicated. Secondly, the past 10 years saw two significant new shopping centers, San Pablo Town Center and Princeton Plaza. Sites for similar developments may be difficult to assemble. Furthermore, at least some of the new development may involve demolition of existing buildings, and their replacement with new ones. While this effort may accommodate more attractive businesses and would improve the local economy, it may be "double counting" to tally replacement square footage as demand for vacant land.

Despite these caveats, the past trends do support a finding of continued demand for commercial space, at least over the long term.

Table 3
Land Demand from Employment Projections
City of San Pablo

1995 - 2000			2000 - 2010	
Type	Number of Employees	Total Square Footage Required	Number of Employees	Total Square Footage Required
Manufacturing and Wholesale	130	91,000	190	133,000
Retail	40	20,000	140	70,000
Service	380	114,000	110	33,000
Other	50	20,000	120	48,000
Total	600	245,000	560	284,000
Existing Vacant		200,000		
Required		45,000		284,000
		x4		x4
Total		180,000 (land)		1,136,000 (land)
		4 (acres)		26 (acres)

Table 4
Commercial Building Square Footage - Permits from 1984 - 1993
City of San Pablo

Year	Sq. Footage
1984	17,000
1985	104,000
1986	25,000
1987	16,000
1988	60,000
1989	119,000
1990	226,000
1991	23,000
1992	10,000
1993	18,000
Total	618,000

Source: City of San Pablo Community Development Department

Adjustments for City redevelopment and economic development efforts. As noted in the introduction, San Pablo has undertaken several efforts to improve its economy and to increase business activity. Among these programs is the ongoing use of redevelopment to assemble land, to underwrite infrastructure costs, and to, thereby, attract new development. A significant recent example was the development of the San Pablo Town Center. The Redevelopment Agency assembled the site through acquisition from several different property owners. A mobile home park was located on a portion of the site the Agency was putting together. In order to convert the park to commercial uses, the Agency had to acquire another parcel where existing park tenants could be relocated. The Agency then marketed the site. The result is a shopping center anchored by a major chain supermarket.

These kinds of efforts, although very difficult, time-consuming and expensive, indicate the commitment and ability of San Pablo to implement economic development projects. It appears that the City is continuing, and perhaps intensifying, its efforts to assist the economic growth of the community. This suggests that the City/Agency will continue to actively stimulate demand for commercial land in San Pablo.

Another example of the community's efforts to improve its economy is the "Economic Development Strategy Plan" prepared by a City task force and adopted concurrently by the City Council/Redevelopment Agency last year [10]. The strategy plan summarizes relevant data from the S&A economic profile and results from a survey of existing businesses. As noted earlier (see Figure 3 and Table 2), the strategy identifies several "opportunity sites" where revitalization efforts are appropriate. The plan also sets forth a number of specific strategies, including the following:

- Revitalize the commercial areas
 - Assist and retain existing businesses
 - Attract new businesses
 - Utilize the opportunity sites
 - Enhance the City's image
- Create stronger linkages to the regional economy
- Assess the feasibility of annexation
(note: the annexation areas are largely residential)
- Increase employment training
- Improve public safety
- Support the provision of adequate housing and encourage property maintenance
- Capitalize on historical and cultural resources
- Develop neighborhood leadership

The plan also provides an implementation program which specifies further actions, including potential funding sources.

The plan suggests a continuing effort on the part of the community to improve its economy. Among other factors, the availability of the existing vacant sites is important to the strategy plan.

Another indicator of community efforts to improve the economy is the voter approval of a card room/casino. Proponents estimate that 600 new jobs will result from that business alone (that is more than the amount projected by ABAG for the entire City between 1995 and 2000.)

There is some possibility that the card room/casino may directly attract related commercial development in the City. Some communities have found that a card room/casino increases visitors, making businesses catering to them more viable. Examples of such businesses include food service, motels and gas stations. This effect seems to be most pronounced, however, in more rural areas where such support facilities are otherwise limited. However, to the extent that this effect is realized in San Pablo, the card room/casino will increase demand for commercial land.

The other economic benefits from a successful card room/casino seem more certain; namely, an increase in revenues to the local government and the creation of a significant number of jobs. The revenues to the City can be used, in turn, to improve services and facilities, to hire more workers, and to help fund other economic development efforts. These will all tend to enhance the overall local economy.

If realized, both benefits -- increased city revenue, and more jobs -- will have a positive multiplier effect in the community and will contribute toward an improved local economy. This will increase demand for commercial land, although the precise magnitude and timing of these effects are difficult to estimate.

Comments of commercial developers, realtors, lenders, and appraisers. In preparing this report, developers, realtors, lenders, and appraisers familiar with San Pablo, as well as a few other business leaders were interviewed.

When asked "Do you think San Pablo has enough vacant commercial land to meet demand over the next 10 years?", most respondents felt that there was. Only two of 14 who had an opinion responded with an unqualified "no". Many simply felt that current vacancy rates, in the City and in nearby competitive locations, suggest that there was adequate land supply especially if one considered the opportunities for recycling underutilized and marginal properties as demand increases. Some suggested that the prevalence of low rents is another indicator of over supply. Some people believed that there was ample short term supply, but over the long term, there could be shortages as demand increased with an improving economy. Others pointed out that the City is short of land suitable for commercial uses (eg: large sites with freeway visibility near freeway access) but there was little that could be done practically to remedy that kind of inadequate supply.

Other considerations regarding supply and demand.

San Pablo is at a disadvantage relative to other communities in that there are no remaining large vacant sites visible from the freeway and near freeway access. The importance of freeway proximity is reflected in the efforts of the Redevelopment Agency to assemble land for the San Pablo Town Center, which involved the acquisition of several parcels, the relocation of mobile homes, and the installation of related public improvements. Such a difficult and costly project

would probably not have been undertaken but for the potential value of a large site near the freeway. Similar future opportunities are limited.

The socio-economic characteristics of the City make it less attractive to many businesses than more affluent communities. As noted earlier, San Pablo has lower incomes and higher unemployment than other nearby cities. These factors are important to businesses and investors as they perform locational analyses.

Another important consideration in location decisions is the proximity of competition. The Hilltop Mall, outside the City, has freeway access and visibility and significant capacity for additional businesses. A mall like that has the added competitive advantage of significant anchors which draw large numbers of customers. The agglomerative economies mentioned above are better realized in a regional mall than in a corridor commercial district such as is typical in San Pablo.

Recap

The picture of San Pablo's demand for commercial land is not entirely clear; however, the analysis by S&A, the ABAG projections, past development trends (at least until the onset of the current recession), and continuing City and Redevelopment Agency efforts to improve the local economy all suggest that demand will increase, at the same time that the supply of commercial land is largely fixed. While there is considerable uncertainty in estimating commercial land demand, there are indications that it may exceed the limited supply of vacant land within the next 10 years or so.

Besides these overall numbers, however, San Pablo lacks sites with characteristics that are suitable for significant commercial development. Most sites are relatively small; there is limited freeway visibility and access; most sites are located along commercial corridors rather than in malls or regional shopping centers. These findings suggest that City policies should help reserve sites that have the realistic potential for accommodating commercial development for such uses.

Comments from persons involved with different aspects of commercial development and familiar with San Pablo presented a mixed picture, with the majority feeling that there was adequate commercial land, at least in the short term. Several indicated that the supply, however, may be inadequate in the long term as an improving economy increases demand again.

If demand does increase, commercial land values will rise, too. If that occurs, rents should increase, property maintenance improve, and some existing marginal businesses may be replaced by more profitable ones that can better afford the higher rents.

EFFECTS OF NON-COMMERCIAL USES IN COMMERCIAL DISTRICTS

Possible Negative Effects

Reduction in limited long term supply of commercial land. As discussed in the last section, there is some evidence that the supply of commercial land in San Pablo is limited relative to at least some estimates of demand projected over the next 10 to 15 years. If this, in fact, proves to be the case, then the loss of commercial properties to non-commercial uses will reduce the overall capacity for commercial development in the City.

Loss of sites especially suitable for commercial uses. Perhaps even more important than the overall acreage of commercial land, is the limited number of sites that can realistically accommodate significant new commercial development in the future. As noted earlier, businesses consider a long list of variables when selecting a location. The loss of sites especially suitable for commercial development based on these kinds of variables, therefore, may impede the City from realizing its fullest, long term economic potential. The following discusses some of the location factors most relevant to San Pablo.

Large parcel size. As discussed above, many desirable commercial uses need large parcels of land; this is even more apparent when one considers that several kinds of uses (eg: junior department stores, supermarkets, drug stores) are rarely, today, stand alone developments. Rather, they prefer to locate in shopping centers where the presence of various "anchors" and a large number of specialty shops and services create a strong attraction for customers. The land needed for centers is obviously even greater than for individual developments. Thus, large sites -- and clusters of smaller adjacent ones that can be assembled to form a large consolidated site -- are especially valuable for future commercial development.

Freeway access and visibility. Freeway access and visibility is critical for many of the most desirable commercial uses. Sites a short distance from the freeway interchanges are clearly more valuable than those less accessible from I-80.

Principal corridors. Although they carry only a small fraction of the traffic traveling on the freeway, the principal circulation corridors in San Pablo are also valuable locations for commercial uses. San Pablo Dam Road and San Pablo Avenue carry enough traffic to attract both neighborhood and community-serving commercial developments. The vitality of San Pablo Avenue appears to diminish south of Glen and north of the El Portal-Broadway-Rumrill intersections, and thus, these peripheral areas may be less critical for long term commercial growth.

Lesser commercial streets such as 23rd Street and Market are more likely to suit only neighborhood oriented commercial uses. They are less valuable districts than San Pablo Dam Road or San Pablo Avenue, and thus, less critical to reserve for strictly commercial use.

Rumrill presents an interesting case as the "heavy" commercial district. It is not a major traffic corridor desirable to most community-serving retailing or offices. The presence of industrial uses and storage yards, among several deteriorated and underutilized buildings, further limits this area's attractiveness for many retail uses. Unlike the other corridors in town, which are surrounded by residential neighborhoods, Rumrill has extensive residential only on its east side. Thus, from the standpoint of a neighborhood-serving business, it enjoys only half of the usual market area from which to draw customers.

In sum, it appears that locations on San Pablo Dam Road and San Pablo Avenue are especially valuable for future community-serving commercial developments. Rumrill has been planned for and will likely continue to be utilized for the "heavier" commercial uses. If the City can attract businesses that provide services to nearby industries, as suggested in the Economic Profile and in the Strategy Plan, then the larger vacant or underutilized sites in this area are probably most suitable for those uses.

Shopping centers. The centers present an important economic resource for San Pablo's long term economic health. The importance of clustering and linkages among businesses in recognizable areas is generally acknowledged. Thus, locations within the shopping centers are usually more attractive to businesses than stand-alone sites. This would argue for reserving the centers for commercial uses only.

El Portal Shopping Center will, however, be left with the loss of one of its principal anchors and about 100,000 square feet of vacant space. This will have a serious negative impact on the vitality of the center. It is not clear how the empty building can be filled and whether or not a center of this size can continue to be sustained without such an important anchor. The Economic Strategy Task Force recognized this pending problem and includes among its recommendations an effort to re-use the store. Without that anchor, the attractiveness of that shopping center to other businesses will be reduced; this casts some doubt on the appropriateness of reserving this site strictly for commercial uses.

Other amenities; customer draws. Although site size, proximity to other businesses and access are certainly important locational criteria, other amenities may increase the attractiveness of certain sites for commercial development. Two such uses in San Pablo are the civic center and Contra Costa College.

In many cities, civic centers serve similar functions as private office developments. In San Pablo, this seems to be the case. Thus, the city hall brings workers to the business district who are, at least potential, business customers.

Contra Costa College should have the potential to help support nearby businesses, but somewhat surprisingly, appears to have had little such effect. Most of the people interviewed for this report felt that the college has only minimal impact on nearby businesses, despite the large number of students that attend. This was not a universal sentiment; some felt that select businesses that provided services to students did enjoy increased activity when classes are in session.

The small impact of the college was attributed to a variety of causes including the large number of commuter students, large number of low income students, and lack of a strong reputation and presence in the community. Several people felt that if the college could enhance its image and develop a closer and more visible relationship with the community, that a certain synergy could evolve that would enhance its value to nearby businesses.

Existing buildings. Sound buildings suitable for a wide range of commercial uses may be valuable locational assets. It should be recognized, however, that not every building in what might otherwise be attractive locations can accommodate a wide range of commercial uses. For example, if a structurally sound building was designed for a particular function, and is therefore not easily convertible to another use, its realistic potential for commercial redevelopment may be quite limited. In such cases, alternatives to commercial development may be reasonable, even if the location would otherwise argue for reservation for commercial use.

Importance to future economic efforts. The Redevelopment Agency plans specific economic development projects. The loss of sites anticipated for commercial use to non-commercial development would, in such cases, undermine the Agency's plans. This possibility argues for a clear articulation of Agency implementation programs (five year implementation programs are now required by law), including the identification of sites important to future efforts. These sites should be reserved for appropriate uses in concert with the adopted plans.

Reduction in the desirability of nearby uses for commercial; reductions in the operations/viability of nearby commercial uses. The presence of non-commercial activities among commercial uses can, in some circumstances, adversely affect the commercial uses. There are two major reasons for this effect. First, many commercial districts derive their vitality from the clustering of commercial uses. Those effects are sometimes call "agglomerative economies", which simply means the benefits from land uses being close to one another. If the presence of non-commercial uses disrupts or diminishes the commercial cluster, the benefits of the commercial uses locating near one another could be impacted.

Second, there can be conflicts between commercial and non-commercial land uses (this is the principal rationale for separate commercial zones). For example, nearby residents can be affected by noise, glare, traffic, congestion, etc. Resolving these conflicts may limit commercial activities (for example, by limiting hours of operation) or the range of otherwise acceptable commercial uses.

These are discussed further below.

Theories of agglomeration. Studies by economists and planners have suggested that an important variable leading to the growth in economic activity are economies of agglomeration -- the benefits of businesses locating close to one another [11].

Analysts have identified several kinds of agglomerative economies. One type results from businesses gravitating to a common locale because they are complementary to one another. For example, restaurants, bars, and theaters located together in a district help to support one another as people go to that area for dining and entertainment.

In another situation, different businesses locate together because they are aimed at the same customers, simply offering them different goods and services. A common example is a neighborhood shopping center in which a supermarket, drug store, barbers and hairdressers, and other similar retailers and services clustered together.

These clusters provide easily recognizable and convenient places for people to shop. Clearly, these centers, by locating a number of businesses near to one another, are much more effective than if the same uses were scattered apart. Similar benefits can be derived from recognizable business districts and downtowns. People are attracted to these places because they know a number of services are conveniently located proximate to one another.

Other benefits to businesses of locating in such a center, or in a defined district, is that shared advertising can occur which lowers the marketing costs to all the outlets. It is increasingly common for malls, shopping centers and even commercial districts ("Old Town" or "Downtown") to collectively advertise their location.

Another example of an agglomerative economy is found among businesses that depend on one another. In these cases, businesses that provide goods or services to other businesses, tend to locate near their customers. For example, stenography services are frequently found in areas where law offices cluster; blueprinting and copying shops near architects, etc.

Interestingly, certain businesses in competition with one another also benefit by locating together. An example of this is the auto mall, where a number of comparable products are offered in close proximity to one another. Customers are attracted to these locations because they can efficiently comparison shop. Furthermore, people recognize that this is simply a place where these products are offered and so shoppers tend to go there.

Thus, for the reasons noted above, there is general agreement that locating commercial uses together in recognizable districts tends to benefit those businesses. If non-commercial uses locate in such districts, these benefits may be diminished or lost. Analyses of downtowns and central business districts, for example, suggest that non-commercial uses should generally be restricted in these districts. Ring and Boykin, in The Valuation of Real Estate, for example, argue that

"commercial areas should...be strictly zoned and protected...to safeguard private ownership of a city's most valuable investment -- the 100 percent shopping district." [12]

Similarly, Murphy, in The Central Business District, argues that the essential activities in central business districts are retailing, services and offices. Other uses such as manufacturing, wholesaling, residences, public and quasi-public uses (such as fraternal groups, schools, churches and even parks) are often "antagonistic" to true central business district activities [13].

Many observers of downtowns have suggested that it is critical to retain continuous commercial frontages, especially along the main shopping ways. Gaps in this continuity should be avoided, even to the point of prohibiting first floor office or financial uses that do not draw significant numbers of customers to that location. Other gaps in a row of stores and restaurants, such as parking lots, vacant buildings, or institutional uses are detrimental in most cases.

Unfortunately, there is no clear threshold for acceptable amounts of non-commercial activities in commercial districts, beyond which the agglomeration economies are diminished. Many analysts recommend that the ideal land use pattern for a business district is simply 100 percent retailing, services and related activities, and that any situation with less than full utilization by business has at least some reduction in commercial vitality. However, it is not clear how large the negative effect is as this percentage declines in different situations.

Furthermore, there are four significant caveats to the argument that the intrusion of non-commercial uses into commercial districts has a negative effect on these agglomerative economies. First, in some cases, properly designed mixed uses may, in fact, benefit commercial districts. Second, if there is an excess amount of commercially zoned land, then prohibiting other uses may be counter productive. Third, certain non-commercial uses, because of some amenity associated with them (for example, historical buildings or cultural facilities) could actually be a draw to an area enhancing retailing and food service. Fourth, in San Pablo, the commercial districts do not currently function as a traditional downtown, so some of the findings based on pedestrian-oriented or central business districts may have limited application. These concepts are discussed further below.

Mixed uses. There is a growing interest among planners to encourage "mixed uses" -- a concept which generally refers to housing allowed with businesses -- either in close proximity or even together on the same site. Along these lines, much attention has been directed recently toward "neo-traditional" town planning. This approach encourages higher density residential uses adjacent to shopping and employment. Some authors also encourage residential above stores which occupy the first floor in business districts. The benefits of these mixed uses include increasing the numbers of customers to support the business activity; providing an "after hours" presence in the district to help reduce crime; reducing commuting and associated congestion and pollution; and more efficiently using land to help reduce pressure on exurban open spaces.

The success of these ideas is not clear. Potential conflicts (see discussion of land use conflicts, below) between commercial activities and residences sometimes result in limitations on commercial activities or unpleasant living conditions. Many people prefer to live away from commercial districts and housing in mixed use projects is not always viewed as desirable by renters or home buyers.

The enthusiasm for mixed housing-commercial development voiced by some planners is not always reflected in the actions of lending institutions, which are often reluctant to finance such projects, except in unusual circumstances.

Excess commercial land. It has been a common practice in cities to zone more land for commercial and industrial uses than will reasonably be needed for those purposes. In such cases, "overzoned" land may remain vacant for long periods, values may be suppressed encouraging marginal business that turn over frequently, and maintenance of existing buildings may deteriorate due to lower rents and incomes.

Berk, in his Downtown Improvement Manual, generally supports reserving commercial areas for commercial uses. However he warns:

Zoning does not create market demand by itself...In particular, caution must be exercised in rezoning peripheral CBD [central business district] land to higher uses (e.g. to commercial or high-density residential uses) where a market for such uses does not exist. Where caution is not exercised, the following may result:

- (1) Sound structures may be prematurely acquired and demolished...resulting in vacant lots and blight.
- (2) Existing structures may not be properly maintained...

For these reasons, caution should be exercised so that the downtown area is not "over-zoned" for commercial and other intensive uses. [14]

Most observers agree that vacant properties can have a significant negative impact on surrounding businesses. This is especially true if the property or building is chronically vacant (that is, not just a short term vacancy while new tenants are found); is near other vacant or deteriorated businesses (symptomatic of decline or blight); and is poorly maintained (broken or boarded up windows, graffiti, ill-maintained landscaping, etc.).

Non-commercial uses as amenities. In some special cases, a non-commercial use may draw people to a commercial district, thereby increasing its vitality. Examples include city halls and government centers, and cultural facilities such as museums and libraries. These uses often attract large numbers of people to an area, often during hours when nearby businesses are open. In this way, they complement the business district by bringing in potential customers. Other non-commercial uses, such as historic buildings (not used for business purposes), colleges and parks, may act as draws, but can also significantly disrupt commercial agglomerations. In most cases, those uses will be best located adjacent to or peripheral to the commercial district rather than interrupting the primary commercial corridors.

San Pablo's commercial corridors. Most of the studies concerning agglomerative economies are focused on downtowns, central business districts or shopping centers. In San Pablo, there is no clear, traditional "downtown" with a pedestrian-oriented business core. Rather, the commercial districts are located along the main thoroughfares and shopping centers, and have more of an automobile orientation. While this may reduce the direct application of some of these studies (for example, the importance of a continuous retail frontage along a downtown "main street"), the general conclusion -- that commercial districts function best when filled with businesses -- would seem to be relevant even when the district is formed by corridors along the principal streets.

Potential land use conflicts. One of the primary reasons for dividing cities into zones is an acknowledgement that certain kinds of land uses can negatively impact one another and that these impacts can be reduced if the uses are segregated.

There are numerous analyses of the potential impacts between residential and commercial uses [15]. Despite planners' interest in mixed uses, most of these studies suggest that residential which is immediately adjacent to commercial is less desirable than housing somewhat farther away. (However, many studies show that housing also becomes less valuable if it is too far from shopping.) Thus, other things being equal, residential values tend to increase as one moves away from a commercial district (until at some point they start to decline again because of the distance from shopping and resulting inconvenience).

The fact that housing values decline adjacent to commercial districts reflects the potential for negative impacts. These include increased traffic, congestion, air pollution, noise, glare and crime.

From the commercial standpoint, these conflicts can result in limitations on operations and on the types of uses. Complaints about noise or glare, for example, can lead to nuisance hearings and limitations on hours, or additional expenses to muffle noise or reduce lighting. These same kinds

of concerns can result in environmental challenges, onerous conditions or mitigations, or outright denials for certain uses when conditional permits are required for new uses from the local agency.

Another often cited conflict between commercial and non-commercial uses is the competition for on-street parking. If the non-commercial use does not provide sufficient on-site parking, overflow may take up curbside parking (or even spaces in nearby commercial parking lots) otherwise used by business customers. Most businesses view convenient parking as critical to their success.

In some cases, certain kinds of non-commercial uses will actively oppose the location of certain businesses nearby. A common example are religious organizations objecting to proposed nearby businesses that sell alcoholic beverages, including restaurants with bars or liquor service.

Occasionally, activities associated with the non-commercial use can be nuisances to nearby businesses. For example, a downtown church in a Central Coast city provides free noon meals for homeless people. While the meals program is generally applauded, the businesses near the church frequently complain that the regular presence of large numbers of homeless people congregating in this area tends to keep away customers, putting their shops at a disadvantage. Businesses that cater to a lunch-time clientele (sandwich shops and cafes) are particularly concerned.

Because of these real or potential conflicts, sites adjacent to non-commercial uses tend to be less attractive for businesses than those that can locate in areas entirely devoted to commercial uses.

Potential impacts associated with different categories of non-commercial uses are discussed in more detail later in this report.

Possible beneficial effects

As noted earlier, there may be possible beneficial economic effects of non-commercial uses in commercially zoned areas, under certain conditions [16].

First of all, in the case of an excess of commercially zoned land, vacant lots and empty or underutilized buildings may become prevalent, especially on the periphery of the business districts. Aggregations of such buildings are an indicator of blight, tend to be associated with crime and poverty, and generally are viewed negatively by business operators, developers and lenders. In such cases, the use of vacant properties, particularly chronically vacant or deteriorated buildings by non-commercial uses may help improve the area and thereby address a potentially serious problem.

However, it should be recognized, too, that once such a property is allowed to be used for non-commercial purposes, the long term attractiveness of the area as a commercial district diminishes. Frequently, such a transition is the bellwether of further loss of business activity in the vicinity.

In some cases, as noted earlier, non-commercial uses may actually provide additional customers to support businesses. This may be the case of certain public and cultural facilities. It may also occur with the development of nearby housing.

Effects of different types of non-commercial uses

Several variables affect the attractiveness or value of a location for commercial use, including the size of the parcel, existing buildings and infrastructure, access, visibility, zoning, and surroundings. An element of that last factor is of particular interest to this report: How does the proximity of various kinds of non-commercial uses affect commercial activities?

Stefanelli, in an article in Real Estate Appraiser and Analyst notes that: "[a]ll businesses seem to be interested in their neighbors. This is especially true of retailers." [17]

As discussed earlier, certain kinds of neighbors can enhance business; others may have negative effects. Uses that are viewed as compatible with one another are preferred. Ring, in The Valuation of Real Estate suggests that "[a] property's value is maximized when it conforms to the surrounding properties [and] neighborhood...The same principle pertains to non-residential structures." [18]

Incompatible adjacent uses can cause "market resistance", that is, a reduced willingness on the part of business operators, developers and lenders to view a property as suitable for business activities [19].

Compatibility is most likely when uses are similar; thus, commercial uses tend to find locations near other businesses most attractive. The added benefits of clustering were discussed earlier. These considerations lead to the general conclusion that reserving business districts intended for commercial uses for those purposes is an appropriate strategy.

Nonetheless, other kinds of land uses are frequently found in commercial areas; many zoning regulations allow such developments, often subject to a conditional use permit and case-by-case review. Sometimes these uses complement and enhance the commercial district; sometimes they cause problems; sometimes they have little effect. There are few "absolutes" when it comes to determining the effects of non-commercial uses. While a number of "rules of thumb" about potential impacts, both negative and positive, can be proposed, their application to a particular case must include a thoughtful analysis of the relevant circumstances. In preparing this report we interviewed commercial lenders, developers, and appraisers. When asked about potential impacts from non-commercial uses locating in commercial areas, there was a general consensus about the effects of different kinds of uses; however, a common preface to their comments was "well, it depends..."

With an understanding of this limitation, the following section discusses generalized principles related to potential impacts from non-commercial uses locating in business districts.

Generalized hierarchy of preferred land uses in a commercial district. The following is a generalized hierarchy of preferred land uses in a commercial district from the standpoint of continued commercial vitality, with (1) the most beneficial and (5) the most detrimental.

1. Additional retailing (including food service)
2. Offices and services (including government offices)
3. Residential
4. Institutional uses (fraternal lodges, churches, schools, other public or quasi-public uses)
5. Chronically vacant buildings

Again, this listing is not absolute; in some circumstances, some uses which would usually be considered unattractive might in fact have significant positive benefits. Each of the non-commercial uses are discussed further below.

Offices. For the most part, offices are viewed as appropriate in commercial districts, compatible with retailing and other business uses [20].

Businesses located in offices are potential customers for other businesses in a commercial district, requiring office equipment, stationery and similar goods, copying and printing services, etc. Perhaps even more importantly, the employees working in offices are potential customers for the stores and restaurants in a commercial area. These positive impacts are realized whether the offices are private or public. Thus, many downtown or CBD plans encourage civic centers, county centers, courthouses and other governmental office or office-like uses to locate in the business district.

In some parts of downtowns or CBDs, however, offices on the first floor can be a potential detriment to the overall business vitality. In places where there is a strong pedestrian flow, almost any use that breaks up a continuous line of stores and food service outlets is a negative, including offices that do not attract significant pedestrian traffic. This concern is largely limited, however, to true downtowns or CBDs and even then, usually directed to one or more "main streets". In almost all cases, offices above first floor commercial is viewed as an acceptable use.

In many places, an office district is planned adjacent to the commercial core as a "transitional" land use. In this approach, the offices continue to provide customers to the nearby businesses, while providing a "buffer" between the commercial center and nearby residential neighborhoods. Here again, the location of offices near businesses can be positive.

Of course, there are exceptions to these generalizations. A strong office presence could make the location of some of the heavier commercial uses (tire shops, auto repair, etc.) more problematic. But, overall, offices have few negative impacts on commercial districts and often have significant beneficial ones.

Housing. Of the various non-commercial uses listed above, the possible benefits and problems associated with housing are probably the most mixed.

As discussed earlier, several studies have shown that -- all other things being equal -- housing near commercial districts is less desirable than housing farther away. (Although if housing is *too* far from commerce, values begin to decline.) This finding supports the usual contention that there are at least potential conflicts between commercial uses and residential ones. As discussed earlier,

these can lead to limitations on businesses or to higher operating costs, at least in some cases. Thus, for many commercial uses, sites immediately adjacent to housing may be less desirable than those better buffered from a residential area. Of course, in San Pablo, many commercial lots back to residential areas. Having a second boundary with residential would generally be considered at least slightly detrimental.

This is, however, a generalization and there are several possible cases where residential uses may have little effect or even a positive one.

Nearby housing may provide customers to help support businesses. Also, many commercial districts are largely uninhabited shortly after business hours, which sometimes contributes to higher crime rates. If people live in or near the business district, at least in some cases, criminal activity may be reduced because the residents are present to hear and observe unusual occurrences. Their presence can be a deterrent to illegal activity.

As discussed earlier, mixed use projects are often encouraged by planners, primarily for environmental reasons. However, mixed use projects are harder to finance and to lease out.

The condition of the nearby housing can affect the impact on commercial uses, as well. If the housing is well maintained, then negative impacts are reduced. On the other hand, housing that is poorly maintained and/or has frequent turnover and vacancies, is generally considered a detriment to adjacent business.

In summary, housing presents a decidedly mixed picture. It is probably beneficial if located on the periphery or edge of a commercial district or is well buffered in key locations within the district, and if it is well maintained. If the housing is scattered throughout the business district, is not well buffered from businesses, or is poorly kept up, then it will likely be viewed as a negative.

Public, Quasi-public and Institutional Uses. These types of uses are more difficult to categorize because of the variety of types and the diversity of their characteristics. In general, those uses that attract potential customers, do not pose conflicts with business operations, and which do not break up commercial districts would be viewed positively. In light of the last of the criterion, these kinds of uses can often maximize their benefits to commercial districts if not located directly on main shopping streets or in the center of a shopping district, but located adjacent to or on the periphery of such districts. Conversely, uses that are unlikely to generate commercial traffic, which would be impacted by usual business activities, or which are located on the principal commercial streets, could have negative effects. Some specific examples relevant to San Pablo are discussed below.

City halls. These uses function largely as office buildings and, therefore, have many of the same effects as offices which were discussed earlier.

Libraries, museums. These facilities, depending on such variables as the hours of operation and the number of people who actually visit them, can benefit nearby uses. If the facility is open frequently and during usual business hours, and acts as a magnet to the location, then potential customers are brought in. A "synergy" can evolve between the businesses and the institutions. If, however, the facility is not open at times coincident with businesses, or if it simply does not attract people, then its impact may be negative as it creates a gap in the commercial clustering of a district.

Potential conflicts may arise between these kinds of uses and commercial operations that may be noisy; but, in general, the potential for conflicts is small. In many cases, the benefits of these uses can be increased if the facility is not located directly on the principal commercial streets, but in adjacent districts or away from the retailing center.

Colleges. These uses can have substantial benefits to nearby business areas; however, their location directly on principal commercial streets can pose problems [21]. The benefits generally accrue because the schools bring in customers (students, faculty, staff) to an area; often school sites are well maintained and attractive; they may extend usual business hours if night classes or other evening activities occur.

Potential negative impacts can result from competition for on street parking and conflicts with noisy businesses. In addition, colleges require large parcels. Thus, they do effectively break up retailing districts, in many cases, diminishing an area's recognition as a business district. One other potential impact for some businesses is that large numbers of students loitering in particular areas, or near or in some stores, can deter other customers.

For the above listed reasons, these uses may be best located near commercial districts, but with only limited frontage on the main commercial streets. They may be significant "magnets" to help support commercial activities in peripheral commercial areas.

Religious facilities; fraternal groups. These uses tend to draw large numbers of people to their locations, relatively infrequently, and for relatively short periods of time. Churches and religious facilities, for example, traditionally have large influxes of people visit the site once or twice a week (often on Saturday or Sunday, and one weekday evening), with many fewer visitors during most business hours. In this mode, the facilities may have negative impacts on nearby commercial properties for the now familiar reasons: the institutional use breaks up the commercial cluster, diminishing the benefits businesses realize by locating near to one another [22]. This may be exacerbated in cases where free standing churches locate on relatively large sites, so that the "gap" in the cluster created by the facility can be significant. Recognizing this and potential fiscal impacts (see below) some cities have prohibited churches from their key business districts. Fullerton, for example, bans churches from their central business district. A planner in that city said, "We're not against churches but they don't bring in a lot of business to the area and that's the whole purpose of the downtown area...to bring in business." [23]

Fraternal and civic organizations are sometimes located on upper stories above first floor stores or shops. In this kind of configuration, the uses are probably somewhat beneficial but not so much as offices which regularly provide potential customers to nearby businesses.

In some cases, activities of these groups can conflict with nearby businesses. The most common example results when people attending a church function or fraternal organization meeting overwhelm the nearby parking, causing inconveniences for businesses. To the extent that these main functions do not coincide with usual business hours (Sundays and evenings, for example), this impact is minimal.

Churches are increasingly expanding their scope of on site functions beyond once or twice a week services [24]. Examples of these activities include day care or schools, homeless shelters (permanent or temporary), free meal service to the needy, evening educational meetings or social events, gymnasiums and related after school sports programs, among many others. From the standpoint of business neighbors, these functions have mixed effects. For example, frequent

meetings and social functions could draw people, increase activity, and bring potential customers, at least for certain types of businesses (coffee shops, for example). However, activities that draw poor people or homeless people regularly to an area can be seen as a detriment by nearby businesses. Similarly, programs for teenagers, while socially beneficial to a community, may not be well-received by adjacent businesses if it results in large numbers of adolescents loitering nearby.

In some cases, churches or religious organizations have protested the location of certain types of businesses nearby. The most common example is concern about alcohol-serving establishments. If schools or day care are combined with the other church functions, this concern can be even more acute. Thus, commercial sites next to churches may be less attractive to businesses that may fear objections from the congregation.

Most churches, because they are not-for-profit, tend to locate in places where larger sites or buildings are relatively inexpensive. Thus, their locating in the center of an vibrant commercial cluster is unusual today. More often, they will locate on the periphery, away from the commercial core. Another element of their seeking marginal commercial (and even industrial) land for their sites is ironic: the perceived incompatibility of churches and residential neighborhoods. Parking, noise and aesthetic incompatibility are increasingly cited by residents opposed to churches.

Vacant buildings. Perhaps the most detrimental alternative to commercial uses is a chronically vacant building [25]. The presence of vacant buildings leads to the reasonable question, "Why?" Vacancies are seen, first of all, as a sign of over supply of (or, from the other perspective, lack of demand for) commerce. Vacancies may be an indicator of problems with the site or surroundings. Unoccupied buildings are viewed as warning signs to commercial lenders, appraisers and developers. They may reduce the value of nearby sites, and can retard the fullest use of nearby properties.

This effect is especially likely if the vacancy is long term and/or frequently recurring; if there are other vacant buildings nearby; and if the property in question is poorly maintained, vandalized or otherwise deteriorated. On the other hand, the negative impact will probably be minor if the vacancy is singular among an otherwise vibrant district; if it is seen as short-term and simply a normal transition to new owners or tenants; and if it is well maintained and attractive.

Fiscal impacts. Another consideration in evaluating possible land uses is the fact that most retail uses produce more fiscal benefits to the city than non-commercial activities. Retail sites generate revenues from sales tax, property tax, and business licenses. Offices contribute property taxes and business license taxes. Offices tend to have higher employee densities (numbers of workers per square foot of building) than retail. Most fiscal analyses will tie the projected demand for municipal services among businesses to the number of employees in a business. Based on that approach, offices not only provide less revenue than comparably sized retail buildings, but generate somewhat higher service costs.

Residences generate property tax, but no business license taxes (except, perhaps, from home occupations). There is no direct sales tax generation from this land use, although it can be reasonably argued that increases in population will bring in more money to a community, some of which will be spent in the town on taxable sales. Most fiscal studies show that residential development is generally not as favorable as commercial development from a city finance standpoint. Furthermore, whether residences are fiscal "winners" or "losers" depends on a number of variables including household size, property values, and the rate of appreciation of

those values. Generally speaking, more expensive homes with smaller households will be more fiscally beneficial than less expensive homes and/or greater population densities per unit.

Churches pose special fiscal cases in that they do not pay property tax. Thus, they do not generate any significant revenue for the municipality. On the other hand, they tend to not require many city services (although this depends a lot on the scope of functions offered by the organization). Thus, churches tend to have little direct fiscal impact on a city (although usually it is somewhat negative).

The most important fiscal impact to the city resulting from locating a church in a business district is what is called "opportunity cost" -- the potential benefits of the commercial development can not be realized on the site and that "opportunity" for revenues is lost. Keep in mind, too, that opportunity costs are tied to whether or not there is real demand for the commercial development. If there is, then using a site for a non-profit is, indeed, a lost opportunity. If there is no real demand, then there is no opportunity loss from allowing an alternative use in its place.

Employment. Commercial uses have the added benefit of providing jobs and income. Offices actually tend to provide more jobs per square foot of building than retail, so from that standpoint, offices may even be preferred relative to shops or stores. Other non-commercial uses tend to not produce many jobs, with the exception, perhaps of schools (but even with schools, the employment densities are much lower than either typical retail or office uses).

Non-economic benefits. Clearly, there are significant benefits to a community from having some of these non-commercial uses, apart from any direct economic considerations. Schools, for example, are essential to the survival of the society and must be provided for in our planning. Similarly, churches and religious institutions attend to the spiritual and social needs of the residents. They serve important functions in any community, including care for the needy, youth and elderly support services, education, neighborhood stability, among others. These uses must also be accommodated in our plans for cities. Similar arguments are valid for uses such as parks, libraries, museums and a wide variety of other public and institutional functions.

SUMMARY FINDINGS AND RECOMMENDATIONS

Findings

The following highlights the principal findings of this study:

- The preferred land use pattern in a commercial district is a clear preponderance of commercial and office uses. A generalized hierarchy of uses, from most to least preferred, would be the following:
 1. Retailing
 2. Offices and services
 3. Housing
 4. Institutional uses
 5. Chronically vacant buildings

This hierarchy is not absolute; specific uses and circumstances must be considered.

- In general, non-commercial uses in commercial districts have the potential for reducing commercial vitality. The principal reasons are disruptions to "agglomerative economies" and potential conflicts between uses.
- However, some non-commercial uses may benefit commercial districts under certain conditions. If the non-commercial use draws customers during business hours, does not overwhelm the overall commercial character of an area, and will not generate conflicts with nearby businesses, it may be positive.
- Non-commercial uses such as colleges, parks and housing are more likely to be beneficial if located near but not on principal retailing streets.
- Vacant buildings are clear negatives, especially if the vacancy is chronic, is not isolated, and the building is poorly maintained.
- If vacant buildings are the result of an over supply of commercial land, or because the building's design makes it unsuitable for a wide range of commercial uses, then conversion to non-commercial uses may be appropriate, particularly if the site is on the periphery of the main retailing district.

- San Pablo's supply of commercial land is largely fixed. In terms of gross needs, there appears to be adequate supply to meet short term demand. However, there are indications that current supply may be exhausted in 10 years or so. There is considerable imprecision in land demand projections, however.
- Perhaps more important than a lack of overall acreage, the City lacks sites that are especially suitable for significant commercial development. In particular, large commercial sites with freeway access and visibility are limited.
- Sites that have the following attributes have the greatest attraction/potential for future commercial development in San Pablo:

Sites located on San Pablo Dam Road or on San Pablo Avenue, especially between Glen and the Rumrill-Broadway-El Portal intersections, and including the San Pablo Town Center and Princeton Plaza.

Larger sites or clusters of smaller ones that can be aggregated into larger sites.

Sites that are vacant, or with only dilapidated buildings ripe for demolition, or those with sound buildings suitable for a wide range of commercial uses.

Sites that are identified in the Redevelopment Agency's implementation plan.

These findings suggest that land especially suitable for future commercial development should be reserved for such uses. The following recommendations discuss options for achieving this.

Recommendations

The loss of key sites in commercial districts to non-commercial uses could be harmful to the long term economic potential of San Pablo. If optimum economic health is characterized by a preponderance of business activity in designated business districts, then any significant disruption to the commercial nature of those districts is less than ideal. However, some sites zoned for commercial are probably not realistically suitable for desired commercial uses. In those cases, allowing non-commercial uses may make sense.

The dilemma for the City is to identify those areas and sites which are most critical to the long term vitality of the local economy, and to sort out those sites which are most likely to be suitable for commercial uses from those that have real, long term constraints limiting their commercial potential. This was done, on a preliminary basis, by the Economic Development Strategy Task Force when they identified "opportunity sites", although more in-depth analyses of individual sites is still needed.

One regulatory approach is to simply prohibit non-commercial uses throughout the principal commercial districts, or to place an overlay on those districts reserving the opportunity sites for commercial uses.

The objection to this approach is that while all the identified sites may in fact represent "opportunities" they are not equally attractive for commercial development and they are not equally important to the long term economic well being of the existing commercial districts.

This report has shown that in some cases, especially where there is over supply of commercial land and where commercially zoned sites are simply unattractive from the perspective of the private market, non-commercial uses may be preferred to high vacancy rates, deteriorated properties and marginal businesses. These conditions not only present real, direct problems to the community but also tend to hurt the overall image of the City as a place to invest and do business. Furthermore, certain non-commercial uses can, in the right circumstances, actually be beneficial to the vitality of nearby businesses.

Thus, the current approach of allowing non-commercial uses in commercial districts subject to discretionary review may provide the better framework for resolving this problem. However, the existing development code does not provide guidance for deciding whether or not allowing non-commercial uses is acceptable in particular cases.

Zoning Ordinance Amendment. We suggest that the City continue to allow non-commercial uses in its commercial districts subject to discretionary review, but that the code be amended to

- 1) articulate the objectives of protecting commercial uses primarily for commercial uses,
- 2) set forth expanded criteria for when non-commercial uses may be acceptable,
- 3) expand the list of required application materials to provide information to the City to evaluate the project relative to these criteria in specific cases, and
- 4) require specific findings to be made in order to approve such uses in the commercial zones.

Similar discussions and supporting policies should be incorporated into the General Plan.

Non-commercial uses should generally be prohibited in the commercial districts unless findings can be made that the proposed use in the particular circumstances will not be detrimental to the long term economic vitality of the commercial district or to neighboring commercial uses. Examples of criteria that could be used to support these findings are listed below:

- The site is not in a major shopping center.
- The site is not on San Pablo Avenue or San Pablo Dam Road.
- The site is not included in the redevelopment agency's implementation program; or, it is identified in an implementation program as appropriate for non-commercial uses.
- The site has been vacant for more than two years despite good faith efforts to market the site for commercial uses.
- Other nearby sites or buildings are chronically vacant.
- The existing building is sound, but not readily convertible to a wide range of commercial uses because of its construction, layout, internal configuration, design, or placement on the site.

- The existing site is not suitable for a wide range of commercial uses because of size, configuration or layout of facilities.
- The use is proposed above first floor commercial uses or behind buildings used for commercial purposes that front on the street.
- The use, including likely ancillary and interim activities, will pose minimal conflicts to existing or likely future business uses nearby.
- The use will regularly generate customers to the area during usual business hours and complement existing or likely future businesses.

The Planning Commission may impose conditions, including periodic reviews and time limits to the term of the approval, in order to ensure that these criteria are met.

Land Banking. There are certain sites which may not be ideally suited for commercial development in today's market, but which may be important to the City's long term plans. To protect these sites from inappropriate development, the City, through the Redevelopment Agency, may want to create a land banking program, whereby key sites that may be especially vulnerable to conversion because of short term and mid term economic conditions are reserved into the future.

Land banking does not necessarily mean purchase of the property in fee. In rural areas, for example, open space is sometimes protected not by outright purchase but by buying only certain development rights. In San Pablo's case, if the concern is with non-commercial development, the City/Agency could negotiate to retire those specific development options, leaving other development rights (commercial uses) intact.

NOTES

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2. Ibid. and Association of Bay Area Governments. "Projections - 94", 1993.
3. Ibid.
4. Ibid.
5. Op. Cit. "Economic Profile"
6. City of San Pablo, Redevelopment Agency. "Market Overview of Old Town" (by Lynn Sedway & Associates), 1987.
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8. Op. Cit. "ABAG Projections '94"
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10. See for example:

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15. See for example:
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18. Op. Cit. Ring
19. Walton, Dorothy. "The Challenges of Marketing Mixed-Use Properties". Journal of Property Management, November/December, 1991.
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21. Op. Cit. Murphy
22. Ibid.
23. Drummond, Tammerlin. "Holy Wars for Turn: Neighbors, Churches Clashing over Congestion, Aesthetics." Los Angeles Times (Orange County Edition). 19 January 1992. Newsbank 1992, Sociology 1:G7.

24. See for example:

Ibid. (Drummond)

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25. See for example

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PERSONS CONTACTED

Aguirre, Mariano. Planner, City of Huntington Park.

Anderson, Gordon. Community Development Director, City of San Pablo.

Bacha, Bob. Zoning Administrator, City of Gardena.

Bartels, Don. Realtor, Bartels Realtors, San Pablo.

Bartels, Dwayne. Realtor, Security Pacific Brokers, San Pablo.

Bloomquist, Wayne. Appraiser, Bloomquist & Associates, Berkeley.

Derosa, Thomas. Port Development, San Pablo.

Dickinson, Pamela. Bank of America, San Pablo.

Dum, Ed. Appraiser, Thomas E. Dum Real Estate Appraisers, Berkeley.

Ehrhardt, Dick. Appraiser.

Eller, John. Planner, Community Development Department, City of San Pablo.

Ellis, Simon. President Chamber of Commerce, San Pablo.

Fillice, Frank. Appraiser, Pinole.

Gallo, John. Mechanics Bank, San Pablo.

Hamblin, Mark. Planner, County of Yolo.

Hammarberg, Paul. Commercial property owner, San Pablo.

Herrell, Terry. Advantage Mortgage, San Pablo.

Jura, Bob. Realtor, San Pablo

La Barre, Dave. Economic Development Task Force, San Pablo.

Larsen, Brian. Appraiser, Area Appraisers, Santa Maria.

McCarty, Steve. Commercial Realtor. Stafford and McCarty, San Luis Obispo.

McGurty, Kevin. Director, Bank of Templeton, San Luis Obispo.

Meacham, Allen. Appraiser, Richmond.

Morales, Carmen. City Planner, City of Bell Gardens.

Moresco, Dennis. Developer, Midland Pacific Building Corporation, San Luis Obispo.

Monroe, Craig. Planning Division Manager, City of San Pablo.

Peretz, Annette. Planning Director, City of Bell.

Prandi, Jim. Planner, City of San Jose.

Quitano, Robert. Planner, City of Commerce.

Reidy, Joe. Pacific Bay Bank, San Pablo.

Sims, Luke. Economic Development Coordinator, City of San Pablo.

Sunderland, Eric. Realtor, Prime Properties, San Pablo.

APPENDIX A

Illustration of Application of Suggested Findings

The recommendations section of this report suggests amending the zoning ordinance to require certain findings when non-commercial uses are allowed in commercial districts. To illustrate how some of these findings might actually be used, a "matrix" was developed to show the relative suitability of the different opportunity sites for non-commercial uses.

Note: This ranking is illustrative only. The various weights given to the different variables are not absolute nor are they "scientifically" derived; alternative weights could be assigned to these variables. Furthermore, no detailed site analysis was conducted. The scores were based simply on a windshield survey of the sites. Before this, or any other ranking system is implemented, more careful site review, including information about the property history and interior of buildings (for those properties with structures on them) would be necessary.

Illustrative Only

(see text for limitations)

City of San Pablo Site Suitability for Non-Commercial Uses

		Opportunity Sites																				
		(See attached project list for key to site numbers)																				
Criteria	Weighting Factors	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Not in a major shopping center	out = 3; in = 0	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	0	3	3	3
Not on San Pablo Ave. or San Pablo Dam Rd.	off = 3; peripheral = 1; on = 0	0	0	0	0	0	3	1	3	3	3	3	3	3	3	0	1	3	1	1	0	3
Not in RDA or implementation program	not in RDA = 2; in RDA = 1; Ided as project = 0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	0	2	1	1
Vacant	3 yrs. or more = 2; 1-2 yrs. = 1; less than 1 yr. = 0	2	0	1	1	1	2	2	2	2	2	2	1	2	2	0	1	2	1	0	2	2
Vacant adjacent parcels	2 yrs. or more or 2 or more adjacent vacant parcels = 2; 1-2 yrs.=1; less than 1 yr.= 0	0	0	0	1	1	0	0	0	1	0	2	2	1	1	0	2	0	2	2	2	0
Sound building, but not readily convertible	not convertible = 2; convertible = 1, vacant = 0	1	2	0	1	1	0	0	0	1	2	0	1	0	0	2	1	2	1	2	0	2
Site problems for commercial uses	severe = 2; minor = 1; none = 0	1	0	0	0	0	1	2	1	2	1	2	0	0	1	1	1	2	1	2	1	2
	Totals	7	6	5	7	7	10	9	10	13	12	13	11	10	11	7	10	14	6	12	9	13

Average Total Value

9.62

Median

10.00

Maximum

14.00

Minimum

5.00

This matrix illustrates relative acceptability of allowing non-commercial uses on different sites.

The higher the score, the more acceptable non-commercial uses may be.

The lower the score, the more valuable the site for future commercial development.

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Opportunity Sites for Business Development City of San Pablo

<u>Matrix No.</u>	<u>Location</u>	<u>Description/Status</u>	<u>Site Size/Acres</u>
1	3556 San Pablo Dam Road	Vacant multi- tenant building formerly Fry Supermarket Site	4.80
2	13401 San Pablo Avenue	El Ranch Mobile Home Park	4.17
3	13689 San Pablo Avenue	Formerly Davis Lumber yard	2.53
4	13740 San Pablo Avenue	Parcel partially developed by a retail and office use	1.14
5	13760 San Pablo Avenue	Parcel partially developed	0.88
6	Church Lane & San Pablo Creek	Vacant triangular parcel owned by adjacent cemetery	1.00
7	2300 Road 20	Vacant triangular parcel abutting Kens Nursery	0.58
8	2025 23rd Street	Vacant triangular parcel abutting Wildcat Creek. Former gas station	0.40
9	23rd St. North of Market Ave.	Various underdeveloped and blighted properties w/ marginal uses on parcels typically 1000 ft. deep	Indeterminate
10	East side of Rumrill at Stanford	Vacant, formerly Texaco station	0.31
11	Rear of 1665 Rumrill Blvd	Portion of AT&SF right of way	4.00
12	1701 Rumrill Blvd	Vacant, formerly Dolan's Lumber	1.63
13	East side Rumrill at Market	Vacant undeveloped property	0.50
14	Rear of 2025 Rumrill Blvd	Two undeveloped parcels abutting AT&SF Railroad	2.98 3.72
15	14345 San Pablo Ave	Modern Trailer Lodge for sale	0.60
16	14544 San Pablo Ave	Vacant, formerly AAA building 8,000 sq. ft.	1.29
17	2600 Moraga St	Vacant, formerly El Portal School, development limited by branches of the Hayward Fault	11.6
18	El Portal Shopping Center	97875 sq. ft. building occupied by Mervyn's until 1994/1995	8.36
19	14800 San Pablo Ave	Currently occupied, 55 unit Cove Motel	1.00
20	14829 - 14889 San Pablo Ave	Vacant property fronting San Pablo Avenue allowing for limited development	0.60
21	2812 Giant Road	Partially contaminated site, formerly East Bay Wash Rack	3.00

Source: City of San Pablo Economic Development Strategy Plan: An Economic Vision for the Futrue, November 1993

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